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LYNCH'S OFFICE

E.O. 12958: N/A
TAGS: [PGOV](#) [OREP](#) [PREL](#) [EFIN](#) [OTRA](#) [HU](#)
SUBJECT: VISIT OF CODEL LYNCH TO BUDAPEST, MARCH 2-3, 2009

REF: STATE 16397

¶1. (U) Embassy Budapest grants country clearance and warmly welcomes the visit of CODEL Lynch to Budapest from March 2 - 3, 2009. We look forward to your visit and would like to provide the following information in preparation for your arrival.

ECONOMIC AND POLITICAL CLIMATE IN HUNGARY

¶2. (SBU) The global financial crisis hit Hungary in October 2008, when global deleveraging and investor risk aversion caused a "freezing up" of the government bond market and interbank lending. Although Hungary's banking sector had little exposure to toxic assets, the government's fiscal mismanagement in recent years - including a budget deficit approaching 10 percent in 2006 - caused Hungary to be hit harder than many of its neighbors in Central Europe. In order to help restore investor confidence and ensure the ability to finance its public and private debt, in November the Hungarian government negotiated a USD 25 billion stabilization loan package with the IMF, the EU and the World Bank.

¶3. (SBU) The economic downturn in Western Europe is impacting the real economy in Hungary. Hungary's open economy relies heavily on Western European markets as a destination for its exports, and the poor economic forecast in Western Europe is contributing to an expected 3 to 3.5 percent economic contraction for Hungary in 2009. As the Government imposes expenditure cuts in order to meet commitments made to the IMF to accelerate the reduction of its budget deficit, Hungary cannot use fiscal stimulus to help mitigate the effects of the economic downturn.

¶4. (SBU) Governing without a Parliamentary majority and consistently trailing well behind the opposition FIDESZ party in public opinion polls, Prime Minister Gyurcsany's government has worked hard to present itself as managing crises that they did not create. The Government's recently announced reforms were viewed by many commentators as steps "in the right direction," but at the same time being "too little, too late" to address the structural issues necessary to restore growth and to prevent a protracted economic downturn. Although most observers believe that the government will complete its mandate in 2010 its emphasis on survival make serious reforms unlikely.

COUNTER TERRORISM FINANCE AND ANTI-MONEY LAUNDERING

¶5. (SBU) Although focused largely on the state of the economy and the domestic political situation, Hungary remains a committed partner in the fight against terrorism financing and anti-money laundering. Hungary has worked hard to improve its legal regime in the area of anti-money laundering and counter-terrorist financing to meet international standards. Hungary is a member of the Council of Europe's

MONEYVAL, and Hungary's small but active FIU has been a member of the Egmont Group since 1998. Although Hungary does not maintain a separate domestic list of suspected terrorists and terrorist organizations, it fully implements the UN 1267 Sanctions Committee and EU lists.

¶16. (SBU) Bilateral cooperation in the area of law enforcement is excellent. For example, for the past nine years, the FBI has led a unique joint organized crime task force with the Hungarian National Bureau of Investigation. The task force's primary mission is the investigation of Eurasian organized crime groups with a nexus to Hungary and the United States. Moreover, the task force has engaged in joint investigations with regional partners throughout Europe, targeting organized crime groups, money laundering, and cyber fraud.

YOUR MEETINGS IN BUDAPEST

¶17. (SBU) As Finance Minister Veres is scheduled to answer questions before Parliament during the time of your visit, your delegation is expected to meet instead with Ministry of Foreign Affairs State Secretary Laszlo Varkonyi. An extremely effective career diplomat, Varkonyi is the senior official at the MFA responsible for the United States and "extra-European Affairs" issues. As Hungary will assume its presidency of the European Union during the first half of 2011, you may consider inquiring whether Hungary has thought about ways to use its presidency to promote further cooperation in the fight against the financing of terrorism and money laundering.

¶18. (SBU) This meeting will then be expanded to a roundtable discussion with experts from various ministries and offices responsible for combating money laundering and the financing of terrorism in Hungary, including representatives of the Ministry of Foreign Affairs, the Ministry of Finance, the Ministry of Justice and Law Enforcement, the Financial Intelligence Unit, the Financial Supervisory Authority, and the Office of the Prosecutor General.

¶19. (SBU) We are also preparing a reception in your honor at the Ambassador's residence that evening, which will include Members of Parliament, officials from related ministries, and local opinion leaders.

ADMINISTRATIVE DETAILS

¶10. (U) The Control Officer will be Economic Officer Steven Weston. Office tel: (361) 475-4295; cell: (36-30) 251-2655; fax: (361) 475-4027; e-mail: westons@state.gov. The Embassy is located at Szabadsag Ter 12, District 5. The Embassy's telephone number is (361)475-4400. Control Officer will meet and assist upon arrival.

¶11. (U) Hotel reservations have been made for the CODEL party at the Marriott Hotel Budapest, Apaczai Csere Janos u. 4, 1052 Budapest, telephone number: (361) 486-5000, fax number: (361) 486-5005. The room rate is Euro 117, which is approximately USD 153 at current rates.

¶12. (U) For U.S. citizens, visas are not/not required in diplomatic, official, or tourist passports for stays in Hungary of less than 90 days. A visa is needed in any type of passport for stays over 90 days.

¶13. (U) There have been no acts of terrorism directed against U.S. interests in Hungary. However, the U.S. Government remains deeply concerned about the security of U.S. citizens overseas.

¶14. (U) Although appreciably low by U.S. standards, Budapest has petty thefts and pickpockets like most urban centers. Budapest visitors are cautioned to be wary of currency scams. Routine scams include overcharging at clubs, cafes, and restaurants around Vaci Street (the central pedestrian area), fake police officers requesting to inspect the money in your wallet, and local ladies offering to practice their English language skills at a local pub with drinks which are

outrageously overpriced. Specific clubs and restaurants engaging in unethical business practices and local nightspots of questionable reputation should be avoided and have been identified in the Budapest Embassy web site, www.usembassy.hu. Violent criminal acts are rare; visitors can best ensure their personal safety by exercising the same common sense security precautions and good judgment that one would employ in any other large, cosmopolitan area.

¶15. (U) We look forward to greeting you in person on March 2.
Foley